A 3275-1

THIRD QUARTER
R&E Series No. 723

ASSOCIATION OF AMERICAN RAILROADS

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

(Dollars in thousands)

ACCOUNT	FOR THE THIRD QUARTER 1985	1984	PERCENT INCREASE 1985 OVER 1984	FOR THE NINE MONTHS ENDED SEPT. 30 1985	1984	PERCENT INCREASE 1985 OVER 1984
REVENUE						
FREIGHT	$ 6 523 911	$ 7 114 526	D 8.3	20 183 475	21 520 054	D 6.2
PASSENGER	26 279	24 711	6.3	77 546	75 753	2.3
PASSENGER RELATED	109	66	70.3	199	241	D 17.4
ALL OTHER OPERATING REVENUE	191 243	212 503	D 10.0	593 934	637 229	D 6.7
JOINT FACILITY ACCOUNT	1 885	2 661	D 28.6	7 047	9 017	D 21.8
TOTAL OPERATING REVENUES	6 743 425	7 354 443	D 8.3	20 862 649	22 242 294	D 6.2
EXPENSES						
DEPRECIATION-ROAD	245 814	233 900	5.0	742 896	696 987	6.6
ALL OTHER WAY AND STRUCTURES	746 996	811 665	D 7.9	2 357 371	2 435 685	D 3.2
TOTAL WAY AND STRUCTURES	992 810	1 045 565	D 5.0	3 100 267	3 132 672	D 1.0
DEPRECIATION-EQUIPMENT	205 325	232 836	D 11.8	674 849	697 366	D 3.2
ALL OTHER EQUIPMENT	1 264 914	1 391 489	D 9.0	4 015 195	4 274 456	D 6.1
TOTAL EQUIPMENT EXPENSE	1 470 239	1 624 325	D 9.4	4 690 044	4 972 372	D 5.7
TRANSPORTATION-TRAIN & YARD	2 408 019	2 622 087	D 8.1	7 554 723	8 043 040	D 6.1
TRANSPORTATION-SPEC. SERV. & ADM.	338 975	361 935	D 6.3	1 051 347	1 097 440	D 4.2
GENERAL AND ADMINISTRATIVE	704 447	648 601	8.6	2 125 802	2 295 268	D 7.4
TOTAL OPERATING EXPENSES	5 914 490	6 302 513	D 6.1	18 536 175	19 236 188	D 3.6
NET REVENUE FROM RAILWAY OPERATIONS	828 935	1 051 930	D 21.2	2 326 474	3 006 107	D 22.6
OTHER INCOME	341 510	369 576	D 7.6	957 663	946 427	1.2
DIVIDENDS FROM AFFILIATES	14 103	7 335	92.2	40 111	37 442	7.1
EQUITY IN UNDISTR. EARN. OF AFFIL.	21 028	30 349	D 30.7	52 693	91 935	D 42.7
TOTAL INC. FROM AFFILIATED COS.	35 131	37 684	D 6.7	92 804	129 047	D 28.1
MISCELLANEOUS DEDUCTIONS	47 085	95 959	D 50.9	192 975	193 108	D 0.1
INCOME AVAILABLE FOR FIXED CHARGES	1 158 488	1 357 231	D 14.6	3 213 966	3 948 373	D 18.6
FIXED CHARGES						
INTEREST ON FUNDED DEBT	225 984	227 213	D .5	670 367	674 567	D 1.3
INTEREST ON UNFUNDED DEBT	12 810	10 731	19.4	40 569	34 332	18.2
AMORT. OF DISCOUNT ON FUNDED DEBT	2 127	2 173	D 2.1	6 501	6 718	D 3.2
TOTAL FIXED CHARGES	240 921	240 617	.1	717 436	715 617	.3
INCOME AFTER FIXED CHARGES	917 567	1 116 614	D 17.8	2 496 530	3 232 756	D 22.8
OTHER DEDUCTIONS	2 906	2 998	D 3.0	9 280	9 292	D 0.1
UNUSUAL OR INFREQ. ITEMS (DR.) CR.	0 DEF	1 891	D 100.0	DEF 66	DEF 814	D 91.8
INCOME (LOSS) FR. CONT. OPER. BEFORE INC. TAX	914 661	1 111 725	D 17.7	2 487 184	3 113 650	D 20.1
INCOME TAXES ON ORDINARY INCOME	75 048	55 082	36.2	234 206	141 450	65.5
PROVISION FOR DEFERRED INCOME TAXES	193 456	291 273	D 33.5	559 081	805 838	D 30.6
INCOME (LOSS) FR. CONT. OPER. AFTER INC. TAX	646 157	765 370	D 15.6	1 694 377	2 166 362	D 21.7
INCOME (LOSS) FR. OPER. OF DISCONT. SEG.	0	0		0	0	
GAIN (LOSS) ON DISP. OF DISCONT. SEG.	0	0		0	0	
ORDINARY INCOME	646 157	765 370	D 15.6	1 694 377	2 166 362	D 21.7
EXTRAORDINARY ITEMS (NET)	32 363	7 802	314.8	79 445	22 408	254.5
INCOME TAXES ON EXTRAORDINARY ITEMS	0	0		0	0	
PROV. FOR DEF. TAXES-EXTRAORD. ITEMS	2 931	0		2 931	0	
CUM. EFFECT OF CHANGES IN ACCT. PRIN.	0	0		0	0	
NET INCOME (AFTER EXTRAORDINARY ITEMS)	675 589	773 172	D 12.6	1 770 891	2 188 190	D 19.1
INCOME FROM LEASE OF ROAD & EQUIP.	404	469	D 13.8	1 182	1 364	D 13.5
RENT FOR LEASED ROADS & EQUIPMENT	13 412	14 096	D 4.8	39 711	39 402	.7
NET RAILWAY OPERATING INCOME	573 439	719 202	D 20.2	1 601 716	2 051 871	D 21.9
CASH FLOW	1 269 724	1 493 030	D 14.9	3 608 509	4 273 168	D 15.5
RATIOS						
RATIO TO OPERATING REVENUES						
OPERATING EXPENSES	87.7	85.6		88.7	86.6	
OPERATING EXPENSES (INC. INC. TAXES)	91.6	90.4		92.5	90.9	
NET RAILWAY OPERATING INCOME	8.5	9.7		7.6	9.2	

RATE OF RETURN ON PROPERTY INVESTMENT

Year Ended Sept. 30

(thousands)

	Net Investment		Net Railway Operating Income		Rate of Return	
	1985	1984	1985	1984	1985	1984
EASTERN DISTRICT	$11,872,497	$11,609,761	$ 559,326	$ 834,053	4.71%	7.18%
SOUTHERN DISTRICT	9,860,283	9,735,551	514,369	529,958	5.22	5.34
WESTERN DISTRICT	23,298,331	22,703,484	1,010,751	1,296,185	4.34	5.27
UNITED STATES	$45,031,111	$44,048,796	$ 2,084,446	$ 2,550,196	4.63%	5.75%

RAILROAD REVENUES, EXPENSES, AND INCOME [3]

THIRD QUARTER 1985 and 1984

Class I Railroads in the United States [2]

(dollars in millions)

DISTRICT and RAILROAD	FREIGHT REVENUE ACCOUNT 101		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		NET RAILWAY OPERATING INCOME		ORDINARY INCOME	
	1985	1984	1985	1984	1985	1984	1985	1984	1985	1984
EASTERN DISTRICT										
BALTIMORE & OHIO	$ 237	$ 250	$ 246	$ 261	$ 230	$ 248	$ 20	$ 19	$ 11	$ 8
BOSTON & MAINE	27	31	29	32	29	29	0	3	0	4
CHESAPEAKE & OHIO	250	283	260	295	206	228	33	37	44	59
CONRAIL	741	796	770	828	659	698	89	122	98	133
DELAWARE & HUDSON										
ELGIN, JOLIET & EASTERN	28	31	28	32	28	32	0	0	0	-1
GRAND TRUNK WESTERN	15	12	21	18	20	18	0	0	2	1
NORFOLK & WESTERN	77	78	81	81	80	83	1	0	-1	-2
	392	441	408	459	335	344	23	59	79	83
EASTERN DISTRICT TOTAL	1 766	1 921	1 843	2 005	1 587	1 680	165	238	234	285
SOUTHERN DISTRICT										
FLORIDA EAST COAST	26	26	27	26	23	21	1	1	4	6
ILLINOIS CENTRAL GULF	189	211	207	229	199	214	4	9	1	29
SEABOARD SYSTEM	616	660	628	675	541	588	63	62	49	54
SOUTHERN SYSTEM	407	434	416	444	330	360	61	48	57	52
SOUTHERN DISTRICT TOTAL	1 239	1 330	1 278	1 375	1 092	1 183	128	121	112	141
WESTERN DISTRICT										
ATCHISON, TOPEKA & SANTA FE	523	579	534	592	486	518	35	47	35	42
BURLINGTON NORTHERN	982	1 089	1 002	1 110	786	844	126	157	145	145
CHICAGO & NORTHWESTERN	181	195	205	221	193	196	12	23	2	18
MILWAUKEE ROAD [1]	0	105	0	108	0	104	0	4	0	5
DENVER & RIO GRANDE WESTERN	77	90	79	92	68	81	7	8	6	7
KANSAS CITY SOUTHERN	76	81	80	85	66	69	9	9	7	8
MISSOURI-KANSAS-TEXAS	65	67	68	72	65	67	4	5	1	3
MISSOURI PACIFIC	387	451	400	462	379	395	35	51	13	45
ST. LOUIS SOUTHWESTERN	99	105	95	107	84	101	7	3	7	7
SOO LINE [1]	153	80	159	82	159	73	5	4	-4	7
SOUTHERN PACIFIC	497	527	513	543	508	542	12	12	50	23
UNION PACIFIC	441	456	447	462	397	408	26	38	40	32
WESTERN PACIFIC	40	37	41	38	45	41	1	0	-2	-4
WESTERN DISTRICT TOTAL	3 517	3 863	3 622	3 974	3 235	3 440	280	360	300	339
GRAND TOTAL - UNITED STATES	6 524	7 115	6 743	7 354	5 914	6 303	573	719	646	765

RAILROAD REVENUES, EXPENSES, AND INCOME

NINE MONTHS ENDED SEPTEMBER 30, 1985 and 1984

Class I Railroads in the United States

(Dollars in millions)

DISTRICT and RAILROAD	FREIGHT REVENUE ACCOUNT 101		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		NET RAILWAY OPERATING INCOME		ORDINARY INCOME	
	1985	1984	1985	1984	1985	1984	1985	1984	1985	1984
EASTERN DISTRICT										
BALTIMORE & OHIO	$ 741	$ 777	$ 771	$ 808	$ 744	$ 750	$ 42	$ 61	$ 26	$ 38
BOSTON & MAINE	84	91	88	95	86	89	1	7	3	8
CHESAPEAKE & OHIO	748	816	771	866	629	697	86	86	112	140
CONRAIL	2 297	2 445	2 383	2 539	2 094	2 151	223	366	263	388
DELAWARE & HUDSON	81	89	82	94	84	96	-2	-1	-2	-3
ELGIN, JOLIET & EASTERN	46	48	65	72	62	64	0	3	5	8
GRAND TRUNK WESTERN	245	240	255	251	252	249	4	6	1	0
NORFOLK & WESTERN	1 236	1 301	1 287	1 352	1 013	1 056	128	149	218	218
EASTERN DISTRICT TOTAL	5 477	5 806	5 703	6 058	4 966	5 151	483	676	624	797
SOUTHERN DISTRICT										
FLORIDA EAST COAST	85	87	86	89	69	66	5	9	17	21
ILLINOIS CENTRAL GULF	617	666	672	725	640	675	26	40	10	55
SEABOARD SYSTEM	1 924	2 037	1 971	2 082	1 720	1 775	182	213	171	201
SOUTHERN RAILWAY SYSTEM	1 254	1 319	1 284	1 369	1 031	1 080	162	160	155	159
SOUTHERN DISTRICT TOTAL	3 880	4 109	4 014	4 265	3 460	3 596	375	421	354	436
WESTERN DISTRICT										
ATCHISON, TOPEKA & SANTA FE	1 592	1 714	1 626	1 748	1 508	1 571	91	118	95	109
BURLINGTON NORTHERN	2 996	3 262	3 060	3 330	2 454	2 612	354	410	378	423
CHICAGO & NORTHWESTERN	543	598	618	676	598	620	22	51	-8	31
MILWAUKEE ROAD[3]	47	313	49	324	57	316	-8	8	-9	12
DENVER & RIO GRANDE WESTERN	245	269	248	273	219	246	18	20	17	17
KANSAS CITY SOUTHERN	230	237	241	248	206	210	24	25	18	20
MISSOURI-KANSAS-TEXAS	196	201	205	213	194	199	7	15	-2	8
MISSOURI PACIFIC	1 220	1 322	1 255	1 357	1 182	1 169	91	129	42	107
ST. LOUIS SOUTHWESTERN	290	327	295	331	276	300	11	18	14	28
SOO LINE[3]	430	232	443	238	438	220	17	9	-7	14
SOUTHERN PACIFIC	1 523	1 601	1 571	1 651	1 578	1 642	5	47	55	83
UNION PACIFIC	1 402	1 415	1 418	1 433	1 235	1 286	114	102	133	90
WESTERN PACIFIC	114	114	116	116	134	123	-4	2	-10	-7
WESTERN DISTRICT TOTAL	10 827	11 604	11 146	11 939	10 080	10 534	743	955	716	934
GRAND TOTAL - UNITED STATES	20 184	21 520	20 863	22 262	18 506	19 281	1 602	2 052	1 694	2 166

TOTAL OPERATING REVENUES, EXPENSES, ORDINARY INCOME, NET RAILWAY OPERATING INCOME, REVENUE TON—MILES AND CAPITAL EXPENDITURES

CLASS I RAILROADS IN THE UNITED STATES [2]
BY QUARTERS 1980 - 1985

(All amounts in millions)

Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total [4]
TOTAL OPERATING REVENUES					
1980	$ 6 802	$ 6 943	$ 6 995	$ 7 517	$ 28 257
1981	7 660	7 582	7 964	7 699	30 905
1982	7 190	7 222	6 613	6 482	27 507
1983	6 397	6 584	6 808	6 937	26 726
1984	7 451	7 545	7 415	7 048	29 459
1985	7 052r	7 068	6 743		
TOTAL OPERATING EXPENSES					
1980	$ 6 380	$ 6 559	$ 6 602	$ 6 809	$ 26 350
1981	6 954	7 174	7 332	7 117	28 577
1982	6 821	6 821	6 500	6 331	26 473
1983	6 028	6 221	6 319	6 396	24 964
1984	6 619	6 471	6 351	6 363	25 804
1985	6 438r	6 153	5 914		
ORDINARY INCOME (After Fixed Charges)					
1980	$ 264	$ 174	$ 148	$ 544	$ 1 130
1981	626	336	480	562	2 004
1982	216	340	200	425	1 180
1983	181	235	371	430	1 217
1984	583	809	769	488	2 659
1985	408r	640r	646		
NET RAILWAY OPERATING INCOME					
1980	$ 294	$ 263	$ 244	$ 541	$ 1 342
1981	475	278	434	198	1 385
1982	201	267	115	183	767
1983	265	247	399	385	1 296
1984	564	767	731	482	2 544
1985	383r	646	573		
REVENUE TON-MILES					
1980	233 002	227 197	222 377	236 045	918 621
1981	236 597	222 516	227 534	225 058	911 705
1982	207 428	208 027	191 521	192 771	799 747
1983	196 120	203 900	210 808	215 323	826 150
1984	231 377	235 017	233 686	221 671	921 751
1985	220 526	222 844	216 839p		
CAPITAL EXPENDITURES					
1980	$ 855	898	772	1 096	3 621
1981	926	710	550	668	2 854
1982	417	513	461	584	1 975
1983	227	505	364	710	1 807
1984	648	1 165	1 327	1 177	4 317
1985	699r	1 336	N/A		

p - Preliminary
r - revised

NOTES TO THE RE&I REPORT

1. The change in 1984 quarterly data from Replacement, Retirement, Betterment Accounting (RRB) to Depreciation Accounting (DA) affects the comparability of a number of statistics and trends published in the quarterly "Revenue, Expenses and Income" statement (RE&I). Statistics for years prior to 1984 (as shown on Page 4) are on a RRB basis. Beginning in 1984, statistics are on a depreciation accounting basis.

2. Effective January 1, 1985, three railroads were reclassified from Class I to Class II status and no longer file quarterly or annual reports to the Interstate Commerce Commission. They are: Bessemer & Lake Erie Railroad Company, Pittsburgh & Lake Erie Railroad Company and Duluth, Missabe and Iron Range Railway Company. The data for these carriers are included on Page 4 through 1984.

3. On February 20, 1985, Soo Line Railroad Company acquired the Milwaukee Road, Inc. From that date, the results of the Milwaukee Road, Inc. are consolidated within the Soo Line Railroad Company report.

4. Differences in totals and subtotals are due to rounding.

5. Rate of return is calculated on the net investment in road and equipment, less interest during construction and debit balances in other elements of investment plus working capital. The rate of return does not contain an adjustment for investment tax credits, as prescribed by the Commission in Ex Parte No. 393, due to lack of available data on a quarterly basis. It is estimated that under the Ex Parte No. 393 formula a slightly lower return would result for most carriers.

6. The rates of return for the year ending September 30, 1985 and 1984 are calculated on the year end 1984 and average 1984 net investment respectively. All components of the ROI are on a DA basis.

ECONOMICS & FINANCE DEPARTMENT
ASSOCIATION OF AMERICAN RAILROADS
50 F STREET, NW
WASHINGTON, DC 20001
DECEMBER 12, 1985

A3275-1

ASSOCIATION OF AMERICAN RAILROADS

FOURTH QUARTER
R&E Series No. 724

RAILROAD REVENUES, EXPENSES, AND INCOME*

CLASS I RAILROADS IN THE UNITED STATES

(Dollars in Thousands)

ACCOUNT	FOR THE FOURTH QUARTER 1985 [3]		1984		PERCENT INCREASE 1985 OVER 1984		FOR THE TWELVE MONTHS ENDED DEC. 31 1985 [3]		1984		PERCENT INCREASE 1985 OVER 1984	
REVENUE												
FREIGHT	$ 6,523,284		$ 6,781,035		D	3.8	$ 26,734,340		$ 28,332,105		D	5.6
PASSENGER	28,059		28,321		D	0.9	103,205		101,814		D	2.2
PASSENGER RELATED	45		91		D	50.5	254		300		D	15.3
ALL OTHER OPERATING REVENUE	193,554		207,102		D	6.5	798,168		944,873		D	8.7
JOINT FACILITY ACCOUNT	2,385		2,035			16.2	9,467		11,032		D	14.2
TOTAL OPERATING REVENUES	6,744,921		7,017,554		D	3.9	27,635,434		29,289,486		D	5.6
EXPENSES												
DEPRECIATION-ROAD	363,804		231,463		D	99.6	1,200,097		931,958		D	28.8
ALL OTHER WAY AND STRUCTURES	358,243		806,629		D	17.9	2,147,883		2,238,778		D	2.8
TOTAL WAY AND STRUCTURES	1,221,855		1,038,092			17.7	4,347,980		4,170,736			4.2
DEPRECIATION-EQUIPMENT	317,781		247,097			28.6	995,368		945,840			5.2
ALL OTHER EQUIPMENT	1,355,138		1,330,538			1.8	5,399,748		5,606,171		D	3.7
TOTAL EQUIPMENT EXPENSE	1,673,919		1,577,635			6.1	6,395,116		6,552,011		D	2.4
TRANSPORTATION-TRAIN & YARD	2,465,363		2,464,520			1.7	10,215,379		10,475,775		D	2.5
TRANSPORTATION-SPEC. SERV. & ADM.	624,044		376,196			14.1	1,470,440		1,723,344		C	14.6
GENERAL & ADMINISTRATIVE	756,022		692,251			9.3	2,829,127		2,685,300			5.4
TOTAL OPERATING EXPENSES	6,736,614		6,308,674			6.8	25,258,542		25,607,166		D	1.4
NET REVENUE FROM RAILWAY OPERATIONS	8,307		708,880		D	98.8	2,376,892		3,682,320		D	35.5
OTHER INCOME	345,799		384,024		D	10.0	1,322,380		1,348,178		D	1.9
DIVIDENDS FROM AFFILIATES	39,536		82,192		D	51.9	76,644		120,121		D	33.7
EQUITY IN UNDISTR. EARN. OF AFFIL.	DR 100,400	DR	19,772		D	107.5	DR 60,558		38,215		D	258.5
TOTAL INC. FROM AFFILIATED COS.	DR 60,864		62,392		D	243.6	19,086		158,336		D	87.9
MISCELLANEOUS DEDUCTIONS	103,569		105,149		D	1.5	304,911		303,449			.5
INCOME AVAILABLE FOR FIXED CHARGES	189,873		1,030,147		D	81.6	3,413,447		4,885,385		D	30.1
FIXED CHARGES												
INTEREST ON FUNDED DEBT	207,908		236,614		D	12.1	881,384		917,258		D	3.9
INTEREST ON UNFUNDED DEBT	6,735		18,064		D	62.7	41,303		42,197		D	2.1
APORT. OF DISCOUNT ON FUNDED DEBT	2,207		2,394			34.0	9,711		9,115		D	6.5
TOTAL FIXED CHARGES	217,850		257,073		D	15.3	938,418		978,570		D	4.1
INCOME AFTER FIXED CHARGES	DEF 27,977		773,074		D	103.6	2,475,029		3,906,815		D	36.6
OTHER DEDUCTIONS	2,874		5,803		D	50.5	11,653		15,095		D	22.8
UNUSUAL OR INFREQ.ITEMS (DR.) CR.	DR 26,557		2,041		D	1,299.7	DR 11,653		1,233		D	2,665.0
INCOME(LOSS)FR.CONT.OPER.BEF.INC.TAX	DEF 55,408		769,318		D	107.2	2,438,753		3,892,753		D	37.4
INCOME TAXES ON ORDINARY INCOME	39,343		108,450		D	63.7	294,272		255,409			15.2
PROVISION FOR DEFERRED INC. TAXES	CR 179,644		127,479		D	240.9	365,211		417,573		D	61.0
INCOME(LOSS)FR.CONT.OPER.AFT.INC.TAX	84,893		533,389		D	84.1	1,779,270		2,699,771		D	34.1
INC.(LOSS)FR.OPER.OF DISCONT.SEC.	0		0				6		0			
GAIN(LOSS)ON DISP.OF DISCONT.SEC.	0		47,705		D	100.0	0		47,705		D	100.0
ORDINARY INCOME	84,893		445,684		D	82.5	1,779,270		2,652,066		D	32.9
EXTRAORDINARY ITEMS (NET)	15,456		19,721		D	20.6	95,101		42,529			123.6
INCOME TAXES ON EXTRAORD. ITEMS	1,145		0				1,194		0			
PRIOR PER. ADJ.-TAXES-EXTRAORD.ITEMS	CR 2,356		0				175		0			
CUM.EFFECT CHANGES IN ACCT.PRIN.	0		0				0		0			
NET INCOME(AFTER EXTRAORD. ITEMS)	101,750		505,405		D	79.9	1,872,641		2,694,595		D	30.5
INCOME FROM LEASE OF ROAD & EQUIP	433		459		D	36.3	1,916		2,826		D	29.2
RENT FOR LEASED ROADS & EQUIPMENT	10,429		11,369		D	8.3	46,204		48,029		D	3.8
NET RAILWAY OPERATING INCOME	158,804		483,661		D	67.2	1,762,002		2,535,341		D	30.5
CASH FLOW	789,033		1,133,493		D	30.4	4,480,504		5,429,222		D	18.9
RATIOS												
RATIO TO OPERATING REVENUES												
OPERATING EXPENSES	99.9		89.9				91.4		87.4			
OPERATING EXPENSES (INC.INC.TAXES)	97.8		93.3				93.8		91.5			
NET RAILWAY OPERATING INCOME	2.4		6.9				6.4		8.7			

RATE OF RETURN ON PROPERTY INVESTMENT[5]

12 MONTHS ENDED DECEMBER 31, 1985 & 1984

(Dollars in Thousands)

	NET INVESTMENT[6]		NET RAILWAY OPERATING INCOME		RATE OF RETURN	
	1985	1984	1985	1984	1985	1984
EASTERN DISTRICT	$11,872,497	$11,609,761	$ 463,082	$ 750,595	3.90%	6.47%
SOUTHERN DISTRICT	9,660,283	9,735,551	296,432	560,351	3.01	5.76
WESTERN DISTRICT	23,298,331	22,703,484	1,002,488	1,224,395	4.30	5.39
UNITED STATES	$45,031,111	$44,048,796	$ 1,762,002	$ 2,535,341	3.91%	5.76%

* Includes significant accounting adjustment: see inserted "Special Notes".

RAILROAD REVENUES, EXPENSES, AND INCOME [4]

FOURTH QUARTER 1985 and 1984

Class I Railroads in the United States [2]

DOLLARS IN THOUSANDS

DISTRICT AND RAILROAD	FREIGHT REVENUE ACCOUNT 101		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
	1985	1984	1985	1984	1985	1984	1985	1984	1985	1984
EASTERN DISTRICT										
BALTIMORE & OHIO	$ 241,515	$ 233,278	$ 251,320	$ 243,040	$ 389,098	$ 244,225	$ -78,719	$ 5,974	$ -60,253	$ 8,410
BOSTON & MAINE	26,362	28,405	28,037	29,745	28,450	30,428	1,827	-155	-319	-609
CHESAPEAKE & OHIO	240,662	196,584	269,829	204,068	428,749	212,093	-171,459	2,214	-97,347	-6,250
CONRAIL	742,047	754,672	770,186	782,345	670,329	721,009	97,845	54,402	95,048	56,396
DELAWARE & HUDSON	27,039	28,367	27,325	29,977	28,027	32,522	-790	-3,740	-699	-3,516
ELGIN, JOLIET & EASTERN	13,516	12,714	19,680	18,220	20,890	18,767	215	-139	-1,179	-968
GRAND TRUNK WESTERN	84,043	80,910	87,565	89,767	85,801	82,375	854	7,085	1,355	8,432
NORFOLK & WESTERN	418,844	348,014	434,026	384,220	352,684	310,641	83,369	46,017	62,697	12,723
TOTAL EASTERN DISTRICT	1,794,030	1,682,945	1,867,969	1,760,382	2,004,005	1,652,060	-86,854	141,808	-20,207	74,618
SOUTHERN DISTRICT										
FLORIDA EAST COAST	30,455	32,097	31,589	32,832	22,774	24,020	6,543	5,915	6,535	5,015
ILLINOIS CENTRAL GULF	190,827	211,157	209,078	229,797	196,732	218,938	15,523	7,354	6,879	14,159
SEABOARD SYSTEM	633,571	656,603	644,215	673,774	968,112	594,529	-186,056	45,327	-140,007	51,360
SOUTHERN RAILWAY SYSTEM	410,785	435,158	420,914	445,943	334,528	326,290	52,736	82,457	68,664	68,745
TOTAL SOUTHERN DISTRICT	1,266,038	1,335,015	1,305,896	1,382,346	1,502,146	1,161,777	-111,254	120,753	-79,929	139,279
WESTERN DISTRICT										
ATCHISON, TOPEKA & SANTA FE	507,845	545,608	518,603	557,431	491,375	512,120	30,729	25,912	28,434	30,924
BURLINGTON NORTHERN	960,961	1,088,926	990,907	1,110,113	808,113	880,977	110,679	128,823	104,204	137,526
CHICAGO & NORTH WESTERN	179,820	180,584	205,262	205,579	202,709	199,076	-21,279	-9,955	6,885	7,759
DENVER & RIO GRANDE WESTERN	76,085	83,812	77,491	85,289	67,692	79,112	6,929	5,735	5,053	5,911
KANSAS CITY SOUTHERN	71,904	79,297	75,540	83,344	64,602	67,206	5,534	8,891	7,332	10,614
MILWAUKEE ROAD	0	89,352	0	93,238	0	99,212	0	-57,296	0	-4,955
MISSOURI PACIFIC	387,978	426,418	400,737	438,229	382,878	419,515	28,938	23,268	50,281	18,672
MISSOURI-KANSAS-TEXAS	55,164	59,771	57,656	63,011	57,412	60,690	-3,935	-77	675	3,432
SOO LINE	151,270	75,992	157,131	77,872	159,582	72,229	4,576	4,040	-3,970	3,375
SOUTHERN PACIFIC CO.	466,298	520,709	483,245	537,632	488,523	530,515	81,892	54,355	12,969	19,533
ST. LOUIS SOUTHWESTERN	93,687	103,069	95,336	104,988	85,743	94,265	7,698	16,150	6,763	7,096
UNION PACIFIC	472,034	481,906	478,415	497,418	403,566	440,023	56,435	32,705	43,211	11,090
WESTERN PACIFIC	39,924	29,929	40,734	30,683	50,065	40,297	-3,051	572	-2,864	-1,319
TOTAL WESTERN DISTRICT	3,402,420	3,765,373	3,571,057	3,874,926	3,230,260	3,494,837	703,005	223,263	259,000	269,734
GRAND TOTAL - UNITED STATES	6,523,288	6,783,035	6,744,921	7,017,554	6,736,414	6,308,674	34,893	435,584	158,864	483,631

The CSX railroads' special charge affected the following carriers and items for both the fourth quarter and the year 1985 as shown below:

	(thousands) B&O	C&O	SBD
Total Operating Expenses	$ +157,515	$ +230,302	$ +396,631
Net Railway Operating Income	- 82,960	-121,246	-234,177
Ordinary Income	- 98,941	-288,483	-261,146

District and U.S. Totals for the above items are also impacted.

RAILROAD REVENUES, EXPENSES, AND INCOME

TWELVE MONTHS DECEMBER 31, 1985 and 1984

Class I Railroads in the United States

DOLLARS IN THOUSANDS

DISTRICT AND RAILROAD	FREIGHT REVENUE ACCOUNT 101		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
	1985	1984	1985	1984	1985	1984	1985	1984	1985	1984
EASTERN DISTRICT										
BALTIMORE & OHIO	$ 982,980	$ 1,009,929	$ 1,022,264	$ 1,050,905	$ 1,133,153	$ 994,453	$ -53,071	$ 43,656	$ -17,873	$ 67,825
BOSTON & MAINE	110,730	115,103	115,708	125,053	114,673	118,947	4,157	7,956	1,131	6,403
CHESAPEAKE & OHIO	986,853	1,012,690	1,028,887	1,050,474	1,058,215	908,906	-59,061	142,346	-1,060	79,453
CONRAIL	3,039,311	3,200,034	3,153,648	3,321,620	2,763,831	2,872,095	340,854	472,354	309,004	422,217
DELAWARE & HUDSON	108,125	117,428	109,640	123,202	112,311	128,276	-3,247	-6,537	-2,598	-4,959
ELGIN, JOLIET & EASTERN	59,455	60,865	84,987	90,245	83,137	83,098	4,990	7,448	-1,273	1,791
GRAND TRUNK WESTERN	329,308	320,447	342,947	341,119	338,118	331,006	1,414	7,536	5,294	14,400
NORFOLK & WESTERN	1,655,060	1,648,794	1,720,856	1,716,156	1,365,983	1,366,291	281,306	263,918	170,397	161,465
TOTAL EASTERN DISTRICT	7,271,822	7,489,290	7,578,937	7,818,774	6,969,621	6,803,072	537,540	938,577	463,082	750,595
SOUTHERN DISTRICT										
FLORIDA EAST COAST	115,558	119,261	117,788	121,479	91,441	89,560	23,632	26,805	9,284	13,779
ILLINOIS CENTRAL GULF	807,379	877,099	890,514	954,688	836,747	892,102	25,677	62,353	33,256	53,800
SEABOARD SYSTEM	2,594,369	2,722,744	2,644,993	2,785,804	2,684,530	2,387,148	-14,677	246,315	43,703	264,365
SOUTHERN RAILWAY SYSTEM	1,665,005	1,754,324	1,704,338	1,795,407	1,365,735	1,406,251	207,697	221,125	210,189	228,407
TOTAL SOUTHERN DISTRICT	5,172,811	5,473,428	5,347,637	5,657,378	4,978,453	4,775,061	242,319	556,658	296,432	560,351
WESTERN DISTRICT										
ATCHISON, TOPEKA & SANTA FE	2,099,995	2,259,231	2,144,360	2,305,444	1,989,150	2,083,277	125,792	135,029	119,699	148,823
BURLINGTON NORTHERN	3,956,485	4,350,464	4,040,540	4,440,241	3,261,664	3,493,153	488,510	551,323	458,296	547,132
CHICAGO & NORTH WESTERN	721,423	779,822	823,661	882,060	801,000	819,965	-29,506	20,899	28,992	59,161
DENVER & RIO GRANDE WESTERN	320,254	352,762	325,463	358,373	287,134	324,696	24,051	23,150	23,475	25,441
KANSAS CITY SOUTHERN	302,180	316,116	316,704	331,460	270,164	277,042	23,792	28,567	31,444	35,787
MILWAUKEE ROAD	46,097	401,460	48,993	417,067	57,325	414,320	-9,114	-55,561	-8,313	2,798
MISSOURI PACIFIC	1,607,999	1,748,350	1,655,995	1,795,227	1,544,635	1,608,604	71,017	129,910	141,711	148,046
MISSOURI-KANSAS-TEXAS	251,483	261,245	263,102	275,564	251,483	259,399	-5,681	7,857	7,331	18,403
SOO LINE	580,776	308,215	600,373	315,524	597,922	292,301	-2,056	18,032	13,102	12,409
SOUTHERN PACIFIC CO.	1,999,484	2,122,171	2,053,830	2,188,563	2,064,407	2,172,973	116,976	137,199	18,344	66,097
ST. LOUIS SOUTHWESTERN	383,696	429,755	390,388	436,211	362,228	394,047	21,229	44,586	17,276	25,316
UNION PACIFIC	1,875,135	1,896,721	1,896,885	1,920,860	1,639,031	1,725,940	167,145	122,690	157,560	134,057
WESTERN PACIFIC	154,135	143,675	156,815	146,740	184,325	163,315	-17,744	-6,820	-6,449	325
TOTAL WESTERN DISTRICT	14,299,707	15,369,387	14,716,800	15,413,334	13,310,468	14,029,033	999,411	1,156,331	1,302,496	1,224,395
GRAND TOTAL - UNITED STATES	26,734,340	28,332,105	27,635,434	29,289,486	25,258,542	25,607,166	1,779,270	2,652,066	1,762,032	2,535,341

The CSX railroads' special charge affected the following carriers and items for both the fourth quarter and the year 1985 as shown below:

	(thousands)		
	B&O	C&O	SBD
Total Operating Expenses	$ +157,515	$ +230,302	$ +396,631
Net Railway Operating Income	- 82,960	-121,246	-234,177
Ordinary Income	- 98,941	-288,483	-261,146

District and U.S. Totals for the above items are also impacted.

TOTAL OPERATING REVENUES, EXPENSES, ORDINARY INCOME, NET RAILWAY OPERATING INCOME, REVENUE TON—MILES AND CAPITAL EXPENDITURES

CLASS I RAILROADS IN THE UNITED STATES
BY QUARTERS 1980 - 1985

(All amounts in millions)

Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total [4]
TOTAL OPERATING REVENUES					
[illegible]	$ 6 802	$ 6 943	$ 6 995	$ 7 517	$ 28 257
[illegible]	7 660	7 582	7 964	7 699	30 905
[illegible]	7 190	7 222	6 613	6 482	27 507
1983	6 397	6 584	6 808	6 937	26 726
1984	7 451	7 545	7 415	7 048	29 459
1985	7 079r	7 068	6 743	6 745	27 635
TOTAL OPERATING EXPENSES					
[illegible]	$ 6 380	$ 6 559	$ 6 602	$ 6 809	$ 26 350
[illegible]	6 954	7 174	7 332	7 117	28 577
[illegible]	6 821	6 821	6 500	6 331	26 473
1983	6 028	6 221	6 319	6 396	24 964
1984	6 619	6 471	6 351	6 363	25 804
1985	6 456r	6 153	5 914	6 736	25 259
ORDINARY INCOME (After Fixed Charges)					
1980	$ 264	$ 174	$ 148	$ 544	$ 1 130
1981	626	336	480	562	2 004
1982	216	340	200	425	1 180
1983	181	235	371	430	1 217
1984	593	809	769	488	2 659
1985	408r	640r	646	85	1 779
NET RAILWAY OPERATING INCOME					
1980	$ 294	$ 263	$ 244	$ 541	$ 1 342
1981	475	278	434	198	1 385
1982	201	267	115	183	767
1983	265	247	399	385	1 296
1984	564	767	731	482	2 544
1985	384r	646	573	159	1 762
REVENUE TON-MILES					
1980	233 002	227 197	222 377	236 045	918 621
1981	236 597	222 516	227 534	225 058	911 705
1982	207 428	208 027	191 521	192 771	799 747
1983	196 120	203 900	210 808	215 323	826 150
1984	231 377	235 017	233 686	221 671	921 751
1985	220 526	222 844	216 223	215 672p	875 441p
CAPITAL EXPENDITURES					
1980	$ 855	898	772	1 096	3 621
1981	926	710	550	668	2 854
1982	417	513	461	584	1 975
1983	227	505	364	710	1 807
1984	648	1 165	1 327	1 177	4 317
1985	699r	1 336	1 321	1 237p	4 593p

r - revised
p - Preliminary

NOTES TO THE RE&I REPORT

1. The change in 1984 quarterly data from Replacement, Retirement, Betterment Accounting (RRB) to Depreciation Accounting (DA) affects the comparability of a number of statistics and trends published in the quarterly "Revenue, Expenses and Income" statement (RE&I). Statistics for years prior to 1984 (as shown above) are on a RRB basis. Beginning in 1984, statistics are on a depreciation accounting basis.

2. Effective January 1, 1985, three railroads were reclassified from Class I to Class II status and no longer file quarterly or annual reports to the Interstate Commerce Commission. They are: Bessemer Lake Erie Railroad Company, Pittsburgh & Lake Erie Railroad Company and Duluth, Missabe and Iron Range Railway Company. The data for these carriers are included above through 1984.

3. On February 20, 1985, Soo Line Railroad Company acquired the Milwaukee Road, Inc. From that date, the results of the Milwaukee Road, Inc. are consolidated within the Soo Line Railroad Company report.

4. Differences in totals and subtotals are due to rounding.

5. Rate of return is calculated on the net investment in road and equipment, less interest during construction and debit balances in other elements of investment plus working capital. The rate of return does not contain an adjustment for investment tax credits, as prescribed by the Commission in Ex Parte No. 393, due to lack of available data on a quarterly basis. It is estimated that under the Ex Parte No. 393 formula a slightly lower return would result for most carriers.

6. The rates of return for the year ending December 31, 1985 and 1984 are calculated on the year end 1984 and average 1984 net investment respectively. The investment bases used in the ROI calculations are not adjusted for the special charge as 1985 data are not yet available. All components of the ROI are on a DA basis.

ECONOMICS & FINANCE DEPARTMENT
ASSOCIATION OF AMERICAN RAILROADS
50 F STREET, NW
WASHINGTON, DC 20001
APRIL 2, 1986

S P E C I A L N O T E S

ASSOCIATION OF AMERICAN RAILROADS

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

SPECIAL NOTES TO THE FOURTH QUARTER 1985 RE&I REPORT

NOTE A: CSX ADJUSTMENT

During the fourth quarter of 1985, the CSX Corporation recorded a number of adjustments to the income accounts of the B&O, C&O, and SBD to reflect the write-down and disposition of certain marginal and unproductive assets, a reserve for employee separation pay, and reserves for other reorganization costs. These special charges have the following impact on the 1985 fourth quarter and annual RE&I reports.

PAGE 1

	(thousands)
Operating Expenses	
Depreciation-Road	$ +239,306
All Other Way & Structures	+ 11,643
Total Way & Structures	$ +250,949
Depreciation-Equipment	$ + 84,076
All Other Equipment	+ 77,731
Total Equipment Expense	$ +161,789
Transportation - Train & Yard	$ +172,223
Transportation - Spec. Serv. & Admin.	$ + 96,612
General And Administrative	+102,875
Total Operating Expenses	$ +784,448
Net Revenue from Railway Operations	$ -784,448
Other Income	
Equity in Undistr. Earn. of Affil.	$ -123,222
Total Inc. From Affiliated Cos.	-123,222
Miscellaneous Deductions	+ 26,965
Income Available for Fixed Charges	$ -934,635
Income After Fixed Charges	-934,635
Income (Loss) Fr. Cont. Oper. Before Inc. Tax	-934,635
Taxes	
Income Taxes On Ordinary Income	$ - 88
Provision for Deferred Income Taxes	-345,977
Income (Loss) Fr. Cont. Oper. After Inc. Tax	$ -588,570
Ordinary Income	-588,570
Net Income	-588,570
Net Railway Operating Income	-438,383
Cash Flow	$ -487,943

RATIOS (Calculated excluding special charge adjustments.)

RATIO TO OPERATING REVENUES	4Q 1985	Year 1985
OPERATING EXPENSE	88.2%	88.6%
OPERATING EXPENSES (INCLUDING INCOME TAXES)	91.3	92.2
NET RAILWAY OPERATING INCOME	8.9	8.0

The CSX railroads' special charge affected the following items for both the fourth quarter and the year 1985. The adjustment is shown below:

	(millions)
Total Operating Expenses	$ + 784
Ordinary Income	$ - 589
Net Railway Operating Income	$ - 438

NOTE B: CNW EMPLOYEE REDUCTIONS

The CNW results for the fourth quarter and the year 1985 reflect a $24.557 million charge for severance payments related to a 1,500 job Manpower Reduction Program, covering employee terminations in 1985 and 1986.